

Message Text

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ACTION SS-25

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC PRIORITY 7829

C O N F I D E N T I A L ATHENS 1953

EXDIS

EO 11652: GDS

TAGS: EFIN GR

SUBJECT: COMMENTS ON GREEK RESPONSE TO ECONOMIC
QUESTIONNAIRE

REF: (A) ATHENS 1849; (B) ATHENS 1809

1. EMBASSY WOULD LIKE TO MAKE SOME GENERAL OBSERVATIONS ON
GOG RESPONSE TO DEPT'S QUESTIONNAIRE, PARTICULARLY WITH
RESPECT TO THOSE AREAS MOST DIRECTLY RELATED TO CURRENT
BALANCE OF PAYMENTS SITUATION.

2. PROJECTIONS - THE VALUE OF THE DATA, IN GENERAL, PROVIDED
IN THE RESPONSE HAS BEEN REDUCED BY THE GOG'S FAILURE TO
PROVIDE EVEN MEDIUM-TERM PREDICTIONS FOR MOST CATEGORIES.
EMBASSY DOES NOT BELIEVE OMISSION IS ATTEMPT TO MISLEAD OR
DISTORT. FORECASTING HAS LONG BEEN A WEAK AREA IN GOG.
IN ADDITION, NEW GOVT HAS BEEN GRAPPLING, ON AN
URGENT BASIS, WITH A VARIETY OF THORNY PROBLEMS FACING THEM
IN 1975, AND EMBASSY WILLING TO ACCEPT AT FACE VALUE
PAPALIGOURAS EXPLANATION (REF A, PARA 2) THAT REASONABLE
FORECASTS ARE SIMPLY NOT AVAILABLE YET.

3. BALANCE OF PAYMENTS-SINCE GREEK APPEAL BASED
EXPLICITLY ON BALANCE OF PAYMENTS CONSIDERATIONS, TABLE 4,
PLUS INFORMATION IN ACCOMPANYING MEMORANDUM (REF B)
FORMS KEYSTONE OF GOG'S PRESENTATION. FIGURE OF \$800 MILLION
GAP USED IN PAPALIGOURAS MEMORANDUM SEEMS TO US SOMEWHAT
PESSIMISTIC, AS EXPORTS AND CAPITAL INFLOWS SHOULD PERFORM
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SOMEWHAT BETTER THAN PROJECTED IN TABLE 4. EVEN IF THE GAP

IS WELL BELOW PAPALIGOURAS PROJECTION, HOWEVER, IT IS CLEAR THAT GOG WILL BE OBLIGED TO ARRANGE SIZEABLE PUBLIC BORROWING, AND THIS IS THE CENTRAL POINT OF HIS PRESENTATION. WE BELIEVE THAT GOG HAS, OR IS HOPING FOR, THE FOLLOWING EXTERNAL SUPPORT. BANK OF GREECE HAS BALANCE OF \$220 MILLION IN EURODOLLAR CREDITS WHICH HAD NOT BEEN DRAWN DOWN PRIOR TO BEGINNING OF 1975, BUT IS CLEARLY RELUCTANT TO RESORT TO SUCH HIGH COST BORROWING. THE BANK ALSO CARRIED INTO 1975 APPROXIMATELY \$83 MILLION FROM 1974 OIL FACILITY CREDITS, AND HOPES TO OBTAIN \$180 MILLION MORE FROM THE OIL FACILITY THIS YEAR. THERE ARE ALSO INDICATION THAT THE GOG WILL SEEK SUBSTANTIAL ASSISTANCE FROM AN EVENTUAL OECD "SAFETY NET" FUND. OUR ROLE, OF COURSE, SHOULD BE TO SUPPORT, WHERE POSSIBLE, GOG REQUESTS FOR ASSISTANCE IN THESE INTERNATIONAL FORA. GOG HAS ALSO ARRANGED LIMITED BILATERAL FINANCING FROM FRG (60 MILLION DM) AND FROM FRANCE (125 MILLION FRANCS). FOR PROJECT FINANCING, \$57 MILLION STILL REMAINS FROM FIRST EEC FINANCIAL PROTOCOL, AND PROBABLE MINIMUM OF \$120 MILLION WILL BE FORTHCOMING THROUGH A SECOND FINANCIAL PROTOCOL. IN ADDITION, GOG IS APPLYING TO IBRD IN 1975 FOR \$130-\$140 MILLION IN PROJECT ASSISTANCE. GREECE ALSO STILL HAS \$167 MILLION IN IMF CREDIT TRANCHE. IN 1974 GOG HAD TO ARRANGE \$120 MILLION IN COMMERCIAL AGRICULTURAL COMMODITY LOANS. ALTHOUGH PROSPECTS FOR GOOD LOCAL HARVESTS AND FALLING COMMODITY PRICES MAY REDUCE 1975 COMMODITY FINANCING REQUIREMENTS, GOG WOULD LIKE TO LESSEN ITS DEPENDENCE ON COSTLY COMMERCIAL FINANCING AND, FOR THIS REASON, IS VERY DESIROUS OF REVIVING CCC CREDITS, WHICH PLAYED IMPORTANT ROLE IN FINANCING GREEK COMMODITY IMPORTS IN PAST.

4. MILITARY DEBT - MILITARY MODERNIZATION PROGRAM IS IMPOSING SERIOUS BURDEN ON GREEK BUDGET AND BALANCE OF PAYMENTS, AND IS UNDOUBTEDLY PRINCIPAL REASON FOR GOG REQUEST FOR USG ASSISTANCE. SCHEDULED MILITARY PURCHASES THRU 1980 ARE ENORMOUS BY GREEK TERMS. FOR THIS REASON, GOG IS LAYING HEAVY EMPHASIS ON MILITARY ASSISTANCE, INCLUDING THE RESUMPTION OF GRANT AID (THOUGH NO OFFICIAL REQUEST MADE YET). WITHIN THE CONTEXT OF ECONOMIC ASSISTANCE, PAPALIGOURAS HAS

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CONTINUALLY EMPHASIZED IMPORTANCE OF RESTRUCTURING OF GOG MILITARY DEBT TO US. EMBASSY IS AWAITING WORD FROM PAPALIGOURAS TO SCHEDULE MEETING BETWEEN JUSMAGG AND GOG OFFICIALS TO REVIEW DETAILS OF DEBT SCHEDULE OF GOG MILITARY OBLIGATIONS TO US. IN THIS REGARD, JUSMAGG HAS BEEN PROVIDED OFFICIAL GOG DEFENSE EXPENDITURES (INCLUDING US AND THIRD COUNTRY OBLIGATIONS) FOR THE PERIOD FY 75-81. HOWEVER, LACK OF COMPLETE INFORMATION

AS TO DEBT SERVICING, I.E., REPAYMENT SCHEDULE AND INTEREST PAYMENTS ON US FMS CREDIT/CASH LOANS, PRECLUDES AN EXACT ASSESSMENT OF TOTAL GOG FISCAL OBLIGATIONS TO USG (ALSO TRUE OF THIRD COUNTRY OBLIGATIONS). IF THESE DATA ON OBLIGATIONS TO US ARE AVAILABLE IN DEPT OR DOD, WOULD GREATLY APPRECIATE COPY SOONEST.

5. COMMENT - AMB HOPES THAT WASHINGTON REACTION WILL BE AVAILABLE WITHIN TWO WEEK TIME FRAME HE MENTIONED TO PAPALIGOURAS. EMBASSY OF COURSE IS READY TO HELP CLARIFY ANY OUTSTANDING QUESTIONS. THE SECRETARY ALSO TOLD FORMIN BITSIOS IN BRUSSELS ON MAR 7, WHEN THE LATTER INFORMED HIM THAT THIS MATERIAL HAD BEEN TRANSMITTED TO THE USG, THAT WE WOULD EXAMINE THE GOG DATA AND REPLIES TO OUR QUESTIONS WITH A DISPOSITION TO REPLY AS FAVORABLY AS POSSIBLE AND THAT THE GOG COULD COUNT ON OUR MAKING A SYMPATHETIC RESPONSE.
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